

EXECUTIVE SUMMARY

The Idaho economic outlook has brightened since the previous forecast. This improvement reflects the combined positive impacts of the state's recent economic performance and the projected stronger national economy. The strong performance of the state's goods-producing sector in the first quarter resulted in actual total nonfarm employment coming in much stronger than had been anticipated. Bolstered by the surge of construction employment, Idaho goods-producing employment came in about 2,800 jobs above target. On the other hand, nongoods-producing employment came in about 800 jobs below expectations. The net result is Idaho total nonfarm employment was nearly 2,000 higher in this year's first quarter than had been predicted in April 2006. The recent strong employment performance has increased the jobs forecast in two ways. First, it has raised the starting point of the forecast by about 2,000 jobs. Second, the state's job growth has more momentum than had been previously predicted. These two factors, combined with the improved national economic outlook, translate into higher future job growth. Specifically, Idaho nonfarm employment was previously forecast to expand an average of 2.7% annually from 2005 to 2009. In the current forecast it advances 3.0% per year. At this higher pace, Idaho nonfarm employment reaches about 688,100 jobs in 2009, which is about 5,600 more jobs than in the previous forecast. Idaho nominal personal income is forecast to expand about 6.7% per year through 2009, which is significantly faster than at the national level (5.7%). Adjusting for inflation, Idaho personal income is forecast to increase 4.6%, which is also faster than its national counterpart.

The U.S. economic forecast has improved marginally from the previous forecast. In the April 2006 forecast it was expected GDP growth would seesaw from 3.4% this year to 2.4% next year then average about 3.2% annual growth in 2008 and 2009. The current forecast calls for real output to expand 3.4% in 2006 and 2.6% in 2007 followed by 3.2% growth thereafter. As a result of the stronger start, U.S. real GDP is about \$30 billion higher in 2009 than in the previous forecast. The outlook for employment has also improved. In the current forecast employment grows faster in 2007 and 2008 than in the previous forecast, resulting in over one-half million more jobs in 2009. Interestingly, national real personal income is lower in this forecast than in the previous one. This difference reflects the predicted lower levels for farm proprietors' income and dividends, interest, and rent payments. Overall, U.S. real personal income should rise about 3.6% annually, which is down slightly from the previously forecasted 3.7% pace. A marked difference between this forecast and the previous one is short-term inflation is higher in this forecast. Specifically, the consumer price index rises by 3.3% in 2006 and 2.1% in 2007. The June rate hike showed the Federal Reserve is determined above all to keep a lid on inflation. This forecast assumes the Federal Reserve will raise rates by 25 basis points on August 8, 2006. In 2007, with GDP growing below its trend and inflation easing, the Federal Reserve will begin to lower the federal funds rate to 4.75% by that year's end. Strong economic growth is having a beneficial impact on the federal budget deficit. The fiscal year 2006 federal budget deficit should come in at \$289 billion, which is below last year's \$319 billion deficit. While current strong collections do not eliminate the need for strong budget medicine down the road in the form of higher taxes and/or program cuts, it does postpone when those decisions will have to be made. This forecast assumes Congress will not allow all of the president's personal tax reductions to expire as scheduled. But the forecast also assumes Congress will tinker enough to raise federal personal income tax receipts toward their historical average of 8.2% of GDP.

**IDAHO ECONOMIC FORECAST
EXECUTIVE SUMMARY
JULY 2006**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GDP (BILLIONS)												
Current \$	8,747	9,268	9,817	10,128	10,470	10,971	11,734	12,487	13,297	13,947	14,655	15,418
% Ch	5.3%	6.0%	5.9%	3.2%	3.4%	4.8%	7.0%	6.4%	6.5%	4.9%	5.1%	5.2%
2000 Chain-Weighted	9,067	9,470	9,817	9,891	10,049	10,321	10,756	11,135	11,513	11,808	12,179	12,565
% Ch	4.2%	4.4%	3.7%	0.8%	1.6%	2.7%	4.2%	3.5%	3.4%	2.6%	3.1%	3.2%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	27,287	29,068	31,290	33,054	33,849	34,654	37,498	40,278	42,711	45,913	48,955	52,185
% Ch	7.6%	6.5%	7.6%	5.6%	2.4%	2.4%	8.2%	7.4%	6.0%	7.5%	6.6%	6.6%
Idaho Nonfarm (Millions)	26,350	28,054	30,448	32,039	32,921	33,938	36,321	38,894	41,658	44,758	47,789	51,007
% Ch	7.1%	6.5%	8.5%	5.2%	2.8%	3.1%	7.0%	7.1%	7.1%	7.4%	6.8%	6.7%
U.S. (Billions)	7,423	7,802	8,430	8,724	8,882	9,169	9,713	10,238	10,801	11,403	12,068	12,773
% Ch	7.3%	5.1%	8.0%	3.5%	1.8%	3.2%	5.9%	5.4%	5.5%	5.6%	5.8%	5.8%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	28,429	29,788	31,289	32,376	32,690	32,840	34,638	36,183	37,335	39,367	41,248	43,246
% Ch	6.6%	4.8%	5.0%	3.5%	1.0%	0.5%	5.5%	4.5%	3.2%	5.4%	4.8%	4.8%
Idaho Nonfarm (Millions)	27,452	28,748	30,447	31,382	31,795	32,162	33,550	34,939	36,415	38,376	40,265	42,269
% Ch	6.1%	4.7%	5.9%	3.1%	1.3%	1.2%	4.3%	4.1%	4.2%	5.4%	4.9%	5.0%
U.S. (Billions)	7,734	7,996	8,429	8,545	8,578	8,689	8,973	9,197	9,442	9,777	10,168	10,585
% Ch	6.4%	3.4%	5.4%	1.4%	0.4%	1.3%	3.3%	2.5%	2.7%	3.5%	4.0%	4.1%
HOUSING STARTS												
Idaho	10,105	10,334	11,468	12,183	13,188	16,296	18,483	23,175	22,750	22,033	21,093	20,103
% Ch	14.0%	2.3%	11.0%	6.2%	8.3%	23.6%	13.4%	25.4%	-1.8%	-3.1%	-4.3%	-4.7%
U.S. (Millions)	1,621	1,647	1,573	1,601	1,710	1,854	1,950	2,073	1,927	1,755	1,754	1,732
% Ch	9.9%	1.6%	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-7.0%	-8.9%	-0.1%	-1.2%
TOTAL NONFARM EMPLOYMENT												
Idaho	520,477	538,099	558,578	568,028	568,030	572,522	588,037	611,691	639,126	658,232	673,638	688,116
% Ch	2.6%	3.4%	3.8%	1.7%	0.0%	0.8%	2.7%	4.0%	4.5%	3.0%	2.3%	2.1%
U.S. (Thousands)	125,924	128,992	131,792	131,832	130,342	129,993	131,424	133,459	135,383	137,175	139,096	140,785
% Ch	2.6%	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.5%	1.4%	1.3%	1.4%	1.2%
SELECTED INTEREST RATES												
Federal Funds	5.4%	5.0%	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	5.1%	5.2%	4.8%	4.9%
Bank Prime	8.4%	8.0%	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	8.1%	8.2%	7.8%	7.9%
Existing Home Mortgage	7.1%	7.3%	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.7%	6.9%	7.0%	7.3%
INFLATION												
GDP Price Deflator	1.1%	1.4%	2.2%	2.4%	1.7%	2.0%	2.6%	2.8%	3.0%	2.3%	1.9%	2.0%
Personal Cons Deflator	0.9%	1.7%	2.5%	2.1%	1.4%	1.9%	2.6%	2.8%	2.8%	2.0%	1.8%	1.7%
Consumer Price Index	1.5%	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.3%	2.1%	1.7%	1.6%

National Variables Forecast by GLOBAL INSIGHT
Forecast Begins the SECOND Quarter of 2006

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	Q1	2005 Q2	Q3	Q4	Q1	2006 Q2	Q3	Q4	Q1	2007 Q2	Q3	Q4
GDP (BILLIONS)												
Current \$	12,199	12,378	12,606	12,766	13,042	13,223	13,386	13,538	13,712	13,864	14,024	14,187
% Ch	7.0%	6.0%	7.6%	5.2%	8.9%	5.6%	5.0%	4.6%	5.2%	4.5%	4.7%	4.7%
2000 Chain-Weighted	10,999	11,089	11,202	11,248	11,404	11,470	11,549	11,628	11,691	11,758	11,848	11,934
% Ch	3.8%	3.3%	4.1%	1.7%	5.6%	2.3%	2.8%	2.8%	2.2%	2.3%	3.1%	2.9%
PERSONAL INCOME - CURR \$												
Idaho (Millions)	39,532	40,024	40,388	41,167	41,374	42,434	43,135	43,902	44,778	45,615	46,263	46,999
% Ch	10.6%	5.1%	3.7%	7.9%	2.0%	10.7%	6.8%	7.3%	8.2%	7.7%	5.8%	6.5%
Idaho Nonfarm (Millions)	38,044	38,600	39,164	39,767	40,431	41,347	42,070	42,785	43,619	44,426	45,128	45,862
% Ch	4.9%	6.0%	6.0%	6.3%	6.8%	9.4%	7.2%	7.0%	8.0%	7.6%	6.5%	6.7%
U.S. (Billions)	10,073	10,186	10,250	10,441	10,582	10,737	10,875	11,011	11,175	11,327	11,476	11,632
% Ch	2.0%	4.5%	2.6%	7.7%	5.5%	6.0%	5.3%	5.1%	6.1%	5.5%	5.4%	5.6%
PERSONAL INCOME - 2000 \$												
Idaho (Millions)	35,959	36,112	36,110	36,548	36,551	37,106	37,541	38,142	38,660	39,188	39,581	40,038
% Ch	8.2%	1.7%	0.0%	4.9%	0.0%	6.2%	4.8%	6.6%	5.5%	5.6%	4.1%	4.7%
Idaho Nonfarm (Millions)	34,606	34,827	35,016	35,305	35,718	36,156	36,614	37,172	37,660	38,166	38,610	39,069
% Ch	2.6%	2.6%	2.2%	3.3%	4.8%	5.0%	5.2%	6.2%	5.4%	5.5%	4.7%	4.8%
U.S. (Billions)	9,163	9,190	9,165	9,270	9,348	9,389	9,465	9,566	9,649	9,731	9,819	9,909
% Ch	-0.3%	1.2%	-1.1%	4.7%	3.4%	1.7%	3.3%	4.3%	3.5%	3.5%	3.6%	3.8%
HOUSING STARTS												
Idaho	23,136	22,686	24,763	22,114	23,231	22,568	22,635	22,564	22,348	22,104	21,919	21,763
% Ch	60.7%	-7.6%	42.0%	-36.4%	21.8%	-10.9%	1.2%	-1.3%	-3.8%	-4.3%	-3.3%	-2.8%
U.S. (Millions)	2,069	2,064	2,101	2,060	2,123	1,913	1,862	1,811	1,777	1,748	1,742	1,752
% Ch	22.7%	-1.0%	7.4%	-7.6%	12.9%	-34.0%	-10.4%	-10.6%	-7.2%	-6.5%	-1.3%	2.3%
TOTAL NONFARM EMPLOYMENT												
Idaho	604,084	607,416	614,869	620,397	630,368	636,909	642,085	647,141	651,715	656,131	660,523	664,557
% Ch	6.0%	2.2%	5.0%	3.6%	6.6%	4.2%	3.3%	3.2%	2.9%	2.7%	2.7%	2.5%
U.S. (Thousands)	132,694	133,230	133,750	134,161	134,722	135,148	135,624	136,038	136,492	136,934	137,391	137,881
% Ch	1.4%	1.6%	1.6%	1.2%	1.7%	1.3%	1.4%	1.2%	1.3%	1.3%	1.3%	1.4%
SELECTED INTEREST RATES												
Federal Funds	2.5%	2.9%	3.5%	4.0%	4.5%	4.9%	5.4%	5.5%	5.5%	5.4%	5.2%	4.8%
Bank Prime	5.4%	5.9%	6.4%	7.0%	7.4%	7.9%	8.4%	8.5%	8.5%	8.4%	8.2%	7.8%
Existing Home Mortgage	5.8%	5.8%	5.8%	6.2%	6.4%	6.6%	6.8%	6.9%	6.9%	6.9%	6.9%	6.9%
INFLATION												
GDP Price Deflator	3.1%	2.6%	3.3%	3.5%	3.1%	3.1%	2.2%	1.8%	3.0%	2.1%	1.6%	1.7%
Personal Cons Deflator	2.3%	3.3%	3.7%	2.9%	2.0%	4.2%	1.9%	0.7%	2.5%	2.0%	1.7%	1.7%
Consumer Price Index	2.5%	3.7%	5.5%	3.2%	2.2%	5.1%	1.9%	0.2%	3.0%	2.2%	1.6%	1.7%

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